



Department of Energy
Washington, DC 20585

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MEMORANDUM FOR DISTRIBUTION

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ACTING DEPUTY ASSISTANT SECRETARY FOR
PROGRAM PLANNING AND BUDGET

SUBJECT: Fiscal Years 2014 through 2018 Initial Budget Formulation "Kick-Off"

The purpose of this memorandum is to "kick-off" the Office of Environmental Management's (EM) fiscal years (FY) 2014 through 2018 budget formulation activities. Attachment A provides you with a Tentative Schedule and Action Plan for the Corporate Budget Process that will occur over the next several months and is also summarized below. Guidance related to Technology Development will be provided under separate cover.

Site Briefings

Similar to last year, the FY 2014 through FY 2018 budget process will begin with Site Overview briefings the week of March 26, 2012, via video-conference. Each site will be contacted within the next few weeks by Ms. Judith McCulley (judith.mcculley@hq.doe.gov) to schedule their briefing time. It is imperative that we complete all of the briefings during this week, so I ask that you be flexible while working with Judi in achieving this goal. Sites must submit their completed briefing packages to their Headquarters Budget Analyst point-of-contact no later than close-of-business Thursday, March 22, 2012. This will allow time for the various Headquarters participants to review the material in advance of the briefings. Where possible, please coordinate with the Headquarters Mission Units before transmittal to the Office of Budget. Specific requirements for the briefing slides are provided within each slide in the briefing template (Attachment B).

Funding Scenarios

Sites will be asked to brief three funding scenarios:

- 1) Levelized "Base" Funding Case to FY 2013: Sites should prepare a funding case that assumes a FY 2014 through FY 2018 funding target level to the site's total FY 2013 Congressional Budget Request with no inflation. It is assumed that this scenario will closely align with the planning data you recently provided to the Office of Strategic Planning and Analysis.
- 2) Full Compliance Case: Using Scenario One as a base, sites should prepare an incremental funding case needed to support existing Compliance requirements. Specifically, sites should identify funding needed to meet enforceable milestones due in FY 2014 and separately address funding needed to support all outyear enforceable



milestones. Your briefing should delineate all aspects of your compliance posture, specifically discussing whether the regulators will be philosophically and politically open to renegotiation or not. We are trying to ascertain the degree to which EM may be non-compliant in FY 2014 and in the outyears, assuming FY 2013 flat funding. Follow-on compliance discussions may be required at a later date on a site-by-site basis.

- 3) Optional Investment Case: Sites should prepare a funding case that uses a 10 percent increase above the FY 2013 Congressional Budget Request level as a guideline. Within this case:
 - a. Sites may include discussion of investments (innovations or improvements) that could be initiated in FY 2014 to create potential cost savings (Return on Investment). Separate guidance on the innovative (Technology Development) aspect of the process will be distributed under separate cover from Alice Williams, the Associate Principal Deputy Assistant Secretary, EM-2.1.
 - b. Sites should discuss energy efficiency improvement investments (including but not limited to areas such as Heating Ventilation and Air Conditioning, process energy consumption, lighting, greenhouse gas reduction, etc) that could be initiated in FY2014 and that would reduce out-year energy and operational costs and contribute to DOE sustainability goals.
 - c. Sites do not need to use Scenario One as their “base” case starting point.
 - d. Sites should not limit their focus on compliance needs, but rather develop an overall approach that makes progressive investments for the site as a whole.

For all three cases, please provide a breakout of your direct vs indirect costs (i.e., pension, G&A, fee, etc.). This will facilitate review of your direct funding requirements.

Collaboration With Mission Units

The Office of Program Planning and Budget will be working collaboratively with the newly-established Mission Units (the Office of Site Restoration, the Office of Tank and Nuclear Material, and the Office of Waste Management) throughout the budget process. Each of these offices will be actively involved in guidance development and will participate in the site briefings. Once these briefings have been completed, representatives from various Headquarters offices will work together to establish site targets, and the EM Office of Budget will transmit detailed budget guidance that will become the basis for your Integrated Priority List (IPL) development.

Schedule

Our goal is to have detailed budget guidance distributed in draft the week of April 2, 2012. This will then be followed up with a Spring Conference (HQ and Field) the week of April 9, 2012. Post-conference, final guidance will be distributed, and sites will be given approximately two weeks to develop and submit their IPLs to Headquarters. IPLs will undergo a detailed review by the Headquarters Mission Unit offices which may result in real-time modifications with site offices as areas of concern are identified, ultimately reaching our objective of submitting FY 2014 budget deliverables to the Chief Financial Officer (CFO) in late May.

Engagement with Regulators, the EM Site-Specific Advisory Board and Other Stakeholders

At this point in the formulation cycle, sites should have initiated discussions with regulators and stakeholders, including local advisory boards. Initial discussions should focus on prioritization of specific site cleanup activities and deviations between stakeholder/regulator priorities and EM's overall prioritization scheme. Specifically, field sites should:

- schedule a briefing with the regulators and stakeholders to discuss planned accomplishments for the work scope, cleanup priorities, schedules/milestones, and compliance projections at approved site baseline levels;
- provide an opportunity for regulators and stakeholders to provide input on the sites' prioritized activities for FY 2014 by establishing an agreed-upon timeframe to allow for stakeholder involvement in the site's proposed budget submission;
- advise regulators and stakeholders that multiple profiles may be created in an effort to achieve the best scope of work; however, only one "Recommended Profile" will be submitted to HQ, which should prioritize each IPL element to reflect an optimal/balanced budget request; and
- submit the regulators' and stakeholders' recommendations as supplemental data to the budget submittal to DOE HQ.

Minimum Safe and Essential Service Guidance

When developing your IPL, you are to apply the following "Hot Standby" definition for Minimum Safe/Essential Site Services (Min Safe/ESS). Your FY 2014 IPL should reflect a refinement in your cost estimates based on the use of the following definition.

Hot Standby is defined as:

- **Operating Facilities:** Minimum safe operations and essential site service activities necessary to maintain operating facilities or systems in a state of operational readiness.
- **Surplus Facilities:** Maintain surplus facilities planned for deactivation and decommissioning in a state which prevents significant deterioration resulting in more costly D&D, potential contamination release or physical hazard from structural failure.
- **Non-Facility:** Encompasses all other non-facility related activities that are necessary but do not advance the mission. Activities include minimum safe operations and essential site services necessary to maintain infrastructure, operating systems, structures, and control of existing material and equipment.

Program management, field support, and operational support efforts that are not directly related to the min safe/ESS component of these activities must be excluded.

Attachment C provides more detail and examples of the new minimum safe guidance that is to be utilized during your overall budget development.

Technology Development Guidance

For the FY 2014 process, a total of \$100-\$150M is potentially being set aside for Technology Development investments. To that end, your Investment Case should reflect any potential opportunities that could be applied to research and technology. As a starting point, consider an amount equivalent to 3% of your total FY 2013 request amount specifically for technology development. The entire Investment Case should be approximately 10% of your total FY 2013 request amount. Detailed guidance on this aspect of the process will be distributed under separate cover.

Contacts

Questions regarding the upcoming process should be directed to Ms. Connie Flohr, Director, Office of Budget, at (301) 903-0393, or Ms. Robin Osik, Budget Formulation Lead, Office of Budget, at (301) 903-4825. Questions related specifically to min safe/essential services should be directed to Tom Fekete, Deputy Director, Office of Budget, at (301) 903-7731.

Attachments

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